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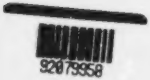

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

RECD S.E.C.
MAR 26 1992
13

FORM 10-Q

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(D)
OF THE SECURITIES AND EXCHANGE ACT OF 1934

For Quarter Ended September 30, 1991 Commission File No. 33-43417-A

PHOTEES, INC. FL
(Exact Name of Registrant as Specified in its Charter)

FLORIDA
(State or Other Jurisdiction of Incorporation or Organization)

65-0232181
I.R.S. Employer Identification Number)

320 South Military Trail, Deerfield Beach, Florida 33442
(Address of Principal Executive Office) (Zip Co

Registrant's Telephone Number, Including Area Code 305/426-2087

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding twelve months (or for such shorter period that the registrant was required to file such reports) and (2) has been subject to such filing requirements for the past ninety days.

Yes X No ___

The number of shares of registrant's Common Stock, $.0001 par value, outstanding as of February 29, 1992 was 490,000 shares.

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MAR 30 1992

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PHOTRES, INC.

INDEX

	Page Number
PART I -- FINANCIAL INFORMATION	
Item 1. Financial Statements	
Balance Sheet -- September 30, 1991 (Unaudited) and December 30, 1990	1
Statement of Operations (Unaudited) -- For the Two and Nine Month Periods Ended September 30, 1991	2
Statement of Cash Flows (Unaudited) -- For the Nine Month Period Ended September 30, 1991	3
Notes to Financial Statements	4
Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operation.	5
PART II -- OTHER INFORMATION	
SIGNATURES.	7

PART I — FINANCIAL INFORMATION

Item 1. Financial Statements

PROTEUS, INC.
(A Developmental Stage Company)
CONSOLIDATED BALANCE SHEET

	September 30 1991 (Unaudited)	December 31 1990
ASSETS		
CURRENT ASSETS:		
Cash	$ 7,258	$ 2,858
Accounts receivable	5,154	694
Inventories	12,606	18,721
Prepaid expenses	519	477
Due from related parties	55	35
Total Current Assets	25,592	22,785
PROPERTY, PLANT AND EQUIPMENT:		
Furniture and equipment	6,878	6,272
Less: Accumulated depreciation	(1,244)	(484)
Total Property, Plant and Equipment	5,634	5,788
OTHER ASSETS:		
Organization costs, Net	1,705	2,023
Deposits	2,016	519
Total Other Assets	3,721	2,542
TOTAL ASSETS	$ 34,947	$ 31,115
LIABILITIES AND SHAREHOLDERS' EQUITY		
CURRENT LIABILITIES:		
Accounts payable	$22,191	$ 1,559
Due to affiliate	10,524	4,682
Due to related parties	48,682	37,142
Total Current Liabilities	81,397	43,383
SHAREHOLDERS' EQUITY:		
Common Stock	980	2,000
Additional paid-in capital	1,499	-
Retained earnings (deficit)	(48,929)	(14,268)
Total Shareholders' Equity (Deficiency)	(46,450)	(12,268)
TOTAL LIABILITIES & SHAREHOLDERS' EQUITY	$ 34,947	$ 31,115

PHOTERS, INC.
(A Developmental Stage Company)
CONSOLIDATED STATEMENT OF OPERATIONS
(Unaudited)

	Two Months Ended September 30, 1991	Nine Months Ended September 30, 1990
Sales	$ 39,827	$174,759
Cost of Sales	12,913	89,759
Gross Profit	26,914	85,000
Selling, General and Administrative Expense	29,706	119,661
Operating Income (Loss)	(2,792)	(34,661)
Other Income	-	-
Net Income (Loss)	$(2,792)	$(34,661)
Net Income (Loss) Per Share	$ -	$(.08)
Weighted Average Shares Outstanding	490,000	427,300

The accompanying notes are an integral part of these financial statements.

PHOTRES, INC.
(A Developmental State Company)
CONSOLIDATED STATEMENT OF CASH FLOWS
(Unaudited)

	Nine Months Ended September 30, 1991
CASH FLOWS FROM OPERATING ACTIVITIES:	
Net Income (loss)	$ (34,661)
Non-Cash Items Included in Net Income (loss):	
Amortization and Depreciation	1,078
Changes in Assets and Liabilities:	
(Increase) Decrease in accounts receivable	(4,460)
(Increase) Decrease in inventories	6,115
(Increase) Decrease due from related parties	(20)
(Increase) Decrease in prepaid expenses	(42)
Increase (Decrease) in accounts payable	20,632
Net Cash Provided (Used) By Operations	(11,358)
CASH FLOWS FROM INVESTING ACTIVITIES:	
Purchase of fixed assets	(606)
Increase in deposits	(1,497)
Net Cash Provided (Used) By Investing Activities	(2,103)
CASH FLOWS FROM FINANCING ACTIVITIES:	
Issuance of Common Stock	479
Increase in short term borrowing	17,382
Net Cash Provided (Used) by Financing Activities	17,861
NET INCREASE (DECREASE) IN CASH	4,400
CASH AT BEGINNING OF PERIOD	2,858
CASH AT END OF PERIOD	$7,258

The accompanying notes are an integral part of these financial statements.

PHOTERS, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

1. BASIS OF REPRESENTATION

The accompanying financial statements reflect all adjustments which, in the opinion of management, are necessary for a fair presentation of the financial position and the results of operations for the interim periods presented.

Certain financial information which is normally included in financial statements prepared in accordance with generally accepted accounting principals, but which is not required for interim reporting purposes has been condensed or omitted. The accompanying financial statements should be read in conjunction with the financial statements and notes thereto as of December 31, 1990 and July 31, 1991 contained in the Company's Prospectus dated December 13, 1991 which is included in the registration statement filed by the Company.

The Company's December 31, 1990 financial statements have been restated on a consolidated basis rather than a combined basis, as originally prepared, to give effect to the acquisition of Fabrika USA, Inc. as a wholly owned subsidiary of the Company, which acquisition occurred on June 3, 1991.

Because the Company was not in existence during the corresponding period of the prior fiscal year, no comparative financial statements for such period are presented.

2. EARNINGS (LOSS) PER SHARE

Per share information is computed based on the weighted average number of shares outstanding during the period giving retroactive effect to the acquisition of Fabrika USA, Inc. by the Company.

2. SUBSEQUENT EVENTS

The Company's registration statement relating to an initial public offering of a minimum of 10,000 and a maximum of 20,000 Units, each Unit consisting of one share of Common Stock, ten Class A Warrants and ten Class B Warrants, was declared effective by the Securities and Exchange Commission on December 13, 1991. The Company closed its initial public offering on March 4, 1992 having sold 15,666.33 Units for gross offering proceeds of $46,999.

Item 2. Management's Discuss and Analysis of Financial Condition and Results of Operations

Material Changes in Results of Operations

During the period ended September 30, 1991, the Company continued to implement its business plan, including the expansion of its marketing network. The Company also commenced preparation off a registration statement in connection with a proposed public offering of its securities.

Operations for the two and nine month periods ended September 30, 1991, produced revenues of $39,827 and $174,759 respectively, and gross profit of $26,914 and $85,000, respectively. The Company reported net losses for such period of $2,792 and $34,661, respectively. As the Company was not in existence at September 30, 1991, there is no comparable period with which to compare the Company's operating results.

Management believes that as funds are provided from the Company's public offering and other financing sources, the Company will be able to further broaden its marketing network resulting in greater market penetration and market share through implementation of various marketing techniques which have not to date been utilized due to limited funding. Management also believes that the implementation of such techniques and expected increase in sales, the Company will be able to increase its profit margins by acquiring paper inventories in larger quantities on more favorable terms resulting in lower per Unit cost of sales. There is no assurance, however, as to the amount and timing of receipt of offering proceeds or that such proceeds will be sufficient to permit the Company to implement all of the desired marketing techniques.

Management also believes that the Company's general, selling and administrative expenses which represented 75% and 68% of gross sales for the two and nine months ended September 30, 1991, will grow at a slower rate than sales and gross profit with the completion of the Company's start-up phase and increasing sales as a result of implementation of the above mentioned marketing techniques.

Subsequent to September 30, 1991, on December 13, 1991, the Company's registration statement was declared effective by the Securities and Exchange Commission. On March 4, 1992, the Company closed its initial public offering having sold 15,666.33 Units out of 20,000 Units offered, providing gross offering proceeds of $46,999.

Material Changes in Financial Condition, Liquidity and Capital Resources

The Company's working capital deficit grew from $20,598 at December 31, 1990 to $55,805 at September 30, 1991. The majority of said deficit and the growth in said deficit related to short-term loans or advances from officers, directors and affiliates of the Company which totaled $59,206 at September 30, 1991, as compared to $41,824 at December 31, 1991.

While the Company's officers and affiliates intend to continue to fund Company operations for the foreseeable future, the Company is highly dependent upon the receipt of funds from its public offering and the exercise of Warrants issued therein to fully implement its plan of operations. The Company, subsequent to September 30, 1991, on March 4, 1992, closed its public offering having received gross proceeds of $46,999. With the completion of its public offering, the Company has warrants outstanding and exercisable that, if exercised, will provide approximately $900,000 of additional funding. While management believes that at least $100,000 of warrant proceeds will be required to implement its business plan for the next twelve months, there is no assurance as to the timing or amount of proceeds which will be received from the Warrants, if any.

PART II - OTHER INFORMATION

None

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

PHOTRES, INC.

Date: March 23, 1992

By: _____
CARL H. CANTER, Chief Executive Officer

Date: March 23, 1992

By: _____
ROBERTA WEHR, Chief Financial Officer